

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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STEPHEN PEYSER d/b/a ONE BY DIANA,  
DIANE MOSS,

Plaintiffs,

- against -

**MEMORANDUM & ORDER**

99 Civ 10785 (WK)

SEARLE BLATT & CO, LTD.,  
STEVE SEARLE, ALICE BLATT SEARLE,  
CAROL HORN, RONI RABL, INC.,  
NEIMAN-MARCUS GROUP, INC.,  
E.N.K. PRODUCTIONS LTD.,

Defendants.

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**WHITMAN KNAPP, SENIOR DISTRICT JUDGE**

**BACKGROUND**

In this intellectual property case, defendants Searle Blatt & Co., Ltd., Steve Searle, Alice Blatt Searle (collectively, “Searle” or the “Searle defendants”), Carol Horn (hereinafter “Horn”), Roni Rabl, Inc. (“Rabl”), Neiman-Marcus Group, Inc. (“Neiman-Marcus”), and E.N.K. Productions Ltd. (“E.N.K.”) move for summary judgment. Plaintiffs Stephen Peyser d/b/a “One By Diana” and Diane Moss (hereinafter “plaintiffs”) have opposed the motion.

We take the facts in the light most favorable to plaintiffs and draw all reasonable inferences in their favor. In 1990, Moss created an allegedly innovative knitwear stitch that she calls the “Basket Weave” design. Among other features, it has perpendicularly intersecting ribs and bridges of yarn that appear alternatively to go under and over each other like a woven basket. Moss formed a company called One By Diana to sell her designs, and she assigned her registered copyright to that company.

Horn and Rabl are alleged to have had manufactured, distributed, promoted, and sold

knitwear items that contain plaintiffs' Basket Weave design and trade dress. In August 1994, Searle began to sell the alleged infringing garments of Horn and Rabl. Searle sold a substantial number of these garments. In 1995, Neiman Marcus sold allegedly infringing clothing of Rabl's. E.N.K. promotes high-end fashion shows in which Horn and Rabl have displayed their apparel.

The only discovery that has taken place in this case has been the disclosure of some swatches and a few items of apparel and disclosure of the names of Searle's witnesses. (Horowitz Aff. ¶ 2).

### **A. Horn**

Defendant Horn is alleged to have had access to plaintiffs' design in 1992 and again in 1994. In April 1994, plaintiffs first learned of Horn's alleged infringement, which Horn referred to as her "Ripple" design. On August 23, 1994, plaintiffs' lawyer wrote to Horn, unambiguously declaring that Horn was intentionally infringing upon plaintiffs' stitch design and demanding that Horn "cease and desist." The letter instructed Horn to reply "no later than September 7, 1994." (Horowitz Aff. Ex. C). Horn now claims that on September 19, her counsel at that time, Mr. Morgenstern, sent a reply letter. However, plaintiffs claim never to have received that letter and suggest that Horn's lawyer in fact never sent it out.

Plaintiffs maintain that they did not immediately pursue legal remedies because their investigation showed that the alleged Horn infringement then stopped, presumably in response to the cease and desist letter. For example, in 1995, plaintiffs visited Horn's public showroom and saw no infringing garments. Plaintiffs also questioned people "in the marketplace" and nobody seemed to know of any such continuing violation. Plaintiffs "continued to check the marketplace" and first learned again of Horn's infringing merchandise in December 1998. They filed this lawsuit ten months later, in October 1999.

### **B. Rabl**

In mid-1996, plaintiffs discovered by accident that the person doing One By Diana's garment finishing had also been working for a knitting contractor of Rabl and was in fact producing infringing goods for that contractor. Beginning in 1996, Rabl allegedly began to sell such copies using the name "Sharpe." In response, plaintiffs filed an expedited copyright application in July 1996, citing Rabl as the reason for fast review.

Plaintiffs sent a cease and desist letter to Rabl on February 21, 1997. This letter, like the Horn letter, clearly accused the addressee of illegal activity and set a February 26 deadline for amicable settlement after which plaintiffs would resort to litigation. (Horowitz Aff. Ex. A). Plaintiffs and Rabl then exchanged a total of seven additional letters. (*See id.*). These negotiations ended in May 1997 with Rabl's attorney stating that, "[W]e again consider this matter closed," and plaintiffs' attorney responding, "Our client continues to use various legal means to enforce its copyright rights..."

### **C. Searle**

Plaintiffs first became aware of possible infringement by Searle in July 1994 via a personal visit by Diane Moss to a Searle boutique. Immediately, Moss called Searle's buyer, Jason Somerfeld, "to confront him about the infringement." (Moss Aff. ¶ 21). In or around September or October 1994, Moss went into a Searle store and bought one of the allegedly infringing sweaters for \$100-300. Remarkably, after photographing it, she returned the sweater "after observing that it was poorly made and the stitches were falling apart." (*Id.* ¶ 22). Neither Searle nor plaintiffs currently have an exemplar of the sweater; Searle sold the last of its inventory in July 1995.

On March 20, 1997 (approximately 2 ½ years after first learning of a problem), plaintiffs sent a cease and desist letter to Searle. (Horowitz Aff. Ex. B). The letter requested a response within one

week. On March 27-28, Searle's counsel replied, denying that "products manufactured or sold by Searle are the result of any copying" of plaintiffs' products. Plaintiffs filed their complaint 2 ½ years after this correspondence.

#### **D. 1997-99: Monetary Excuse For Delay**

In a supplemental affidavit, plaintiffs note that in 1997, they did not have the six-figure retainer fee necessary to initiate this litigation. They further allege that one of the "main" reasons why they could not raise the money was that defendants' success in marketing illegal garments prevented plaintiffs from realizing an honest profit.

For reasons set forth below, we grant summary judgment to the Searle defendants on grounds of laches, and we order a continuance for discovery related to all other issues.

#### **DISCUSSION**

Plaintiffs make a wide variety of arguments in opposition to the defendants' various motions. Most of these arguments we find unpersuasive. However, we adopt one of plaintiffs' positions, namely, that we should deny the motions for the simple reason that plaintiffs have not had the opportunity to take discovery. The basis for this argument was announced by the Supreme Court in *Celotex v. Catrett*, (1986) 477 U.S. 317. In an opinion that ultimately granted summary judgment, the Court dealt with the possibility that a party might be "railroaded" by a premature motion for summary judgment. *Id.* at 326. The Court noted:

Any potential problem with such premature motions can be adequately dealt with under [Fed. R. Civ. P.] 56(f), which allows a summary judgment motion to be denied, or the hearing on the motion to be continued, if the nonmoving party has not had the opportunity to make full discovery.

*Id.* at 326.

In another oft-cited case the same year, the Court stated that summary judgment should be “refused where the nonmoving party has not had an opportunity to discover information essential to [its] opposition.” *Anderson v. Liberty Lobby, Inc.* (1986) 477 U.S. 242, 250 n.6. The same notion has been expressed by numerous courts since then. *See, e.g., Higgins v. Monsanto Co.* (N.D.N.Y. 1994) 862 F. Supp. 751, 763 (citation omitted); *Appel v. Reser’s Fine Foods, Inc.* (D. Or. 1996) 939 F. Supp. 789, 792; *cf. Building & Constr. Dep’t v. Rockwell Int’l Corp.* (10th Cir. 1993) 7 F.3d 1487, 1496 (denying request for discovery before proceeding on summary judgment motion where requesting parties failed to show that discovery would produce *any* relevant evidence).

Against this background, we make the following observations about the case at bar: First, we have examined each of the defendants’ cases, and in all of them, there had been either full discovery or an actual trial. By contrast, plaintiffs call our attention to cases refusing to grant summary judgment because certain claims at issue here typically require intensive factual determinations (e.g., “substantial similarity” as element of copyright infringement; “independent creation” as an affirmative defense thereto; acquired “secondary meaning” as an element of trade dress infringement; and “consumer confusion”). *See Coach Leatherware Co. v. Ann Taylor, Inc.* (2d Cir. 1991) 933 F.2d 162, 169 (“The careful weighing of evidence necessary to determining secondary meaning renders it an unlikely candidate for summary judgment.... The case against summary judgment is even stronger where the opposing party has not been afforded an adequate opportunity to seek potentially favorable information.”); *Travel Magazine, Inc. v. Travel Digest, Inc.* (S.D.N.Y. 1961) 128 U.S.P.Q. 533, 535 (summary judgment denied; “whether a mark has acquired secondary meaning is always a substantial question of fact”); *Abercrombie & Fitch v. Hunting World, Inc.* (S.D.N.Y. 1971) 327 F.Supp. 657, 662, *rev’d on other grounds*, 461 F.2d 1040 (2d Cir. 1972) (“Plaintiff is entitled to establish in the

discovery process or at trial its contention that a secondary meaning has been created.”); *Ideal Toy Corp. v. Fab-Lu Ltd.* (2d Cir. 1966) 360 F.2d 1021, 1022 (citations omitted) (determination of “substantial similarity” generally entails a factual question for the jury); *Zervitz v. Hollwood Pictures, Inc.* (D. Md. 1996) 44 U.S.P.Q.2d 1615, 1619 (same); *Repp v. Webber* (2d Cir. 1997) 132 F.3d 882, 889-91, *cert. denied*, 525 U.S. 815 (1998) (whether evidence of “independent creation” sufficiently rebuts the prima facie case of copyright infringement usually presents a question of fact); *see also Santrayll v. Burrell* (S.D.N.Y. 1996) 39 U.S.P.Q.2d 1052, 1054; *Langman Fabrics v. Graff Californiawear Inc.*, 160 F.3d 106, 48 U.S.P.Q.2d 1658, 1666, *opinion amended*, 169 F.3d 782 (2d Cir. 1998).

The defendants have not persuaded us that discovery would prove futile. On the contrary, it seems to us that plaintiffs have a reasonable chance of materially developing their case during future discovery. For example,

(1) Depositions of designer/contractor Carole Wang, garment finisher Gee Yu Lam, and an unnamed contractor may provide evidence of Horn’s and Rabl’s access to plaintiffs’ design and flesh out the “attenuated links” in plaintiffs’ theory of access;<sup>1</sup>

(2) Possibly, evidence of consumer confusion may be unearthed via surveys, interviews, records of misdirected mail, or newly-disclosed exemplars. (So far, plaintiffs already have declarations

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<sup>1</sup> A plaintiff may prove access, an element of copyright infringement, via one or more third parties connected to the alleged infringer. A reasonable inference of access may be drawn even when plaintiff’s theory of access through third parties relies “on a somewhat attenuated chain of events extended over a long period of time and distance.” *Gaste v. Kaiserman* (2d Cir. 1988) 863 F.2d 1061, 1067 (citations omitted); *accord, Kerr v. New Yorker Magazine* (S.D.N.Y. 1999) 63 F. Supp.2d 320, 324; *Santrayll*, 39 U.S.P.Q.2d at 1054 (both citing *Gaste*); *Zervitz, supra*, 44 U.S.P.Q.2d 1615. Importantly, however, a plaintiff must show a “reasonable possibility of access,” not “a bare possibility... inferred through speculation or conjecture.” *Gaste*, 863 F.2d at 1066 (citations omitted).

of buyers such as Sondra Sardis and Julie Chase.);

(3) Plaintiffs also raise the possibility that Rabl is incorrect in asserting that a particular knitting machine was capable in the early 1980's of producing a basket weave stitch. This is the sort of factual issue amenable to discovery and expert testimony, and plaintiffs are entitled to meaningful discovery, including the cross-examination of Rabl, his co-creators, and his customers (e.g., Mr. Zbresney); and

(4) Further evidence may prove helpful concerning the parties' relevant markets and the extent to which such markets overlapped.

We accordingly follow the suggestion in *Celotex* and will refrain from deciding the bulk of the motions; instead, we grant a continuance pursuant to Fed. R. Civ. P. 56(f) for discovery, and we refer the case to a magistrate judge. To simplify the magistrate judge's tasks, we rule that the following of plaintiff's contentions have no reasonable basis in fact:

(1) Searle's *New York Times* advertisement entitled "Innovation in Chenille" could not have lured customers into a Searle store by confusing them about the source of the sweater depicted;

(2) Plaintiffs argue that Rabl in effect admitted liability by not specifically denying various factual allegations contained in the complaint. However, we find that Rabl sufficiently denied such allegations;

(3) Plaintiffs also claim, in attempting to demonstrate illegal copying, that Horn had "access" to their goods because Barbara Hokanson, Horn's business partner, attended an American Craft Museum sale in May 1992, in which two Moss items were on display. However, Hokanson in her affidavit flatly denies attending the sale and asserts that she merely donated an item as a favor to one of the show organizers.

## **THE DEFENSE OF LACHES**

The foregoing discussion has not taken into account the contention of all defendants that — discovery or no discovery — plaintiffs should be precluded by their own unreasonable delay from maintaining this lawsuit. For reasons that follow, we reject this contention with respect to all defendants except Searle.

In order for a court to dismiss a case on grounds of laches, the party asserting this affirmative defense must show “(1) lack of diligence by the party against whom the defense is asserted, and (2) prejudice to the party asserting the defense.” *Byron v. Chevrolet Motor Div.* (S.D.N.Y. Aug. 7, 1995) No. 93 Civ. 1116, 1995 WL 465130, \*5 (citation omitted). Additionally, “laches is not a defense against *injunctive* relief when the defendant intended the infringement.” *Hermes Int’l v. Lederer de Paris Fifth Ave., Inc.* (2d Cir. 2000) – F.3d –, 55 U.S.P.Q.2d 1360, 2000 WL 942934, \*3, 5 (doctrine of “unclean hands”). (In the instant case, we must in any event dismiss the injunctive relief claim against Searle as moot, because Searle no longer sells any remotely infringing clothes.)

In the realm of laches, we may properly consider “the circumstances of each particular case and a balancing of the interests and equities of the parties.” *Cuban Cigar Brands N.V. v. Upmann Int’l Inc.* (S.D.N.Y. 1978) 457 F. Supp. 1090, 1095, *aff’d mem.*, 607 F.2d 995 (2d Cir. 1979) (citation omitted). While the Second Circuit “has allowed for the possibility that a particularly compelling public interest in avoiding confusion, where such confusion might compromise public health and safety, could defeat an otherwise valid laches defense,” that Court has applied laches in the context of both the Lanham Act and New York state common law claims of unfair competition and misleading advertisement. *Eppendorf-Netheler-Hinz GmbH v. Enterton Co.* (S.D.N.Y. 2000) 89 F. Supp.2d 483, 488 (citing *Conopco, Inc. v. Campbell Soup Co.* (2d Cir. 1996) 95 F.3d 187, 193-



94); *Saratoga Vichy Spring Co. v. Lehman* (2d Cir. 1980) 625 F.2d 1037, 1040-41.

In evaluating the delay element of the laches test, the focus is on the reasonableness of the delay rather than on the number of years that have elapsed. A delay of longer than the [applicable] statute of limitations period, however, creates a presumption that the delay is unreasonable, and shifts the burden away from the moving party to the plaintiff, who must then excuse the delay and prove the absence of prejudice to the defendant from the passage of time.

*Byron*, 1995 WL 465130, at \*6 (citations omitted); *see also Conopco*, 95 F.3d at 191.

Even when a plaintiff has delayed for shorter periods than the statutory limitations period (e.g., three years for copyright and six years for trade dress), courts sometimes deem such delays unreasonable. Defendants unpersuasively try to argue that in “fast-paced” industries, such as women’s apparel, even a few months can constitute an unreasonable delay. In fact, though, in most cases approving the defense of laches in the fashion industry, plaintiffs remained inactive for at least a few years. *See, e.g., Hermes*, 2000 WL 942934, at \*1-2 (9-19 years’ delay in pursuing litigation concerning high-quality women’s handbags).

Moreover, the cases defendants cite are distinguishable. These decisions invoke laches to deny preliminary injunctions. *See Slifka v. Citation Fabrics Corp.* (S.D.N.Y. 1971) 329 F. Supp. 1392, 1393-94 (copyright of fabric design; five-month delay, combined with plaintiff’s lack of candor, fatal to motion for preliminary injunctive relief); *Gianni Cereda Fabrics, Inc. v. Bazaar Fabrics, Inc.* (S.D.N.Y. 1971) 335 F. Supp. 278 (7 ½ month delay after receiving response to cease and desist letter until complaint filed bars preliminary relief). As one of defendants’ cited opinions makes explicit, a plaintiff must meet a high standard to gain a preliminary injunction (viz., reasonable probability of success on the merits and irreparable harm), so that a relatively short delay may bar such relief even when the time lag would *not* bar permanent relief. *Id.* at 280 (citation omitted). In

our case, by contrast, plaintiffs have not made a motion for preliminary relief. Therefore, on the instant motion, they need only satisfy the relatively low standard of presenting genuine issues of material fact for trial.

Consideration of laches entails a fact-intensive inquiry often unsuited to summary adjudication, especially before discovery has taken place. *See, e.g., Armstrong v. Virgin Records, Ltd.* (S.D.N.Y. 2000) 91 F. Supp.2d 628, 643-44; *Tri-Star Pictures, Inc. v. Leisure Time Prods., B.V.* (2d Cir.) 17 F.3d 38, 44, *cert. denied*, 513 U.S. 987 (1994).

We now examine in turn the three prongs of the laches defense.

#### **A. Unclean Hands**

The Second Circuit in *Hermes* discusses unclean hands as a threshold matter — i.e., in deciding whether a defendant can even begin to argue the laches defense to forestall an injunction. However, the fact that a defendant knew that it was infringing also factors into the “prejudice” prong of laches, as discussed below.

#### **B. Reasonableness of Plaintiffs’ Delay**

Plaintiffs invoke three excuses: first, an investigation that showed that Horn’s infringement had stopped from 1995-97; second, brief periods of negotiation with defendants; and third, insufficient funds from 1997 to late 1999.

Periods of sincere and productive negotiations do not count for laches purposes. *See Valutron, N.V. v. NCR Corp.* (S.D. Ohio 1992) 33 U.S.P.Q.2d 1986, 1992 WL 698780, \*10; *Comic Strip, Inc. v. Fox Television Stations, Inc.* (S.D.N.Y. 1989) 710 F. Supp. 976, 981. However, negotiations continued for only three months with Rabl, one week with Searle, and not at all with Horn.

Moreover, inability to pay a retainer fee, “without more,” almost never constitutes an adequate excuse for delay in filing suit. *See Byron*, 1995 WL 465130, at \*7 (citing many cases; “poverty alone, no matter how real or extensive, is insufficient”); *but see Ducon Env'tl. Sys. v. Delta Conveying, Inc.* (E.D.N.Y. Mar. 8, 2000) No. 98 Civ. 466, 2000 WL 270976, \*6 (court regarded plaintiff’s financial distress as material fact relevant to laches); *Imagineering, Inc. v. Van Klassens, Inc.* (S.D.N.Y. 1994) 851 F. Supp. 532, 535-36, *aff’d in part & vacated and rev’d in part on other grounds*, 53 F.3d 1260 (Fed. Cir.), *cert. denied*, 516 U.S. 909 (1995) (as detailed below, court took into account the “turmoil” caused by the death of plaintiff’s founder). In the instant case, plaintiffs aver that defendants’ illegal activity *caused* plaintiffs’ poverty. Hence, we accord this factor some weight.

Finally, a plaintiff’s reasonable investigation into the merits of his or her case will in effect toll the laches period. *See, e.g., Hermes*, 2000 WL 942934, at \*2 (two-year investigation); *cf., e.g., Valutron*, 1992 WL 698780, at \*5 (example of unreasonable lack of investigation). One case in this District is particularly on point. *See Imagineering*, 851 F. Supp. at 535-36. There, plaintiff’s founder saw defendant’s advertisement in June 1987 and suspected an infringement. In July and November 1987, plaintiff wrote cease and desist letters. Defendant responded that it intended to continue to manufacture its product. But, plaintiff did not reply because it “did not see any further advertisements for the furniture immediately thereafter, and so concluded that [defendant] had ceased production of its infringing pieces.” *Id.* at 535. It was not until over a year later that plaintiff saw another suspicious advertisement. But, by that time, plaintiff could not feasibly sue because its founder had died suddenly, leaving control of the company uncertain. *Id.* at 535-36. Then, *two and a half years* later, plaintiff learned that “additional” violations had been introduced. Plaintiff’s ownership having been

settled by this time, and it being apparent that defendant's infringement would not abate, plaintiff sued. Judge Carter concluded that plaintiff "put [defendant] on notice of the potential consequences of its actions, and then proceeded with the requisite diligence and prudence." *Id.* at 536.

Applying the law to Horn's motion, summary judgment is not appropriate in light of plaintiffs' early attempt to put Horn on notice. Plaintiffs conducted some sort of investigation and concluded that Horn's infringement ended in 1995 and did not noticeably resume until 1998. At the very least, there is a question of fact as to whether this investigation was extensive and well-funded enough under the circumstances.

Regarding Rabl's motion, plaintiffs' 2 ½ year delay while raising money probably should not destroy their case. First, 2 ½ years is not presumptively too long. Most cases applying laches have dealt with much longer delays. Also, defendants may have contributed through their illegal actions to plaintiffs' lack of funds.

Still, this factor (unreasonable delay) favors the Searle defendants. Plaintiffs waited 2 ½ years after learning of a problem before putting Searle on notice in writing. Moss did complain orally to a Searle buyer in 1994, but this step seems woefully insufficient to put the company meaningfully on notice. (Then, plaintiffs expended another 2 ½ years in raising money to sue.) Plaintiffs do not even attempt to give a reasonable explanation for why they did not write to Searle for so long.

### **C. Prejudice to Defendants**

Courts apply a "sliding scale" for the amount of prejudice that must be shown in order to invoke laches. "Where there is no excuse for delay... defendants need show little prejudice; a weak excuse for delay may, on the other hand, suffice to defeat a laches defense if no prejudice has been shown." *Byron*, 1995 WL 465130, at \*7 (citation omitted). Relevant kinds of prejudice include those

resulting from unavailability of important witnesses, dulling of witness memories, loss of records, and continuing investments and outlays by the alleged infringer. *See, e.g., Lemelson v. Carolina Enter., Inc.* (S.D.N.Y. 1982) 541 F. Supp. 645, 657 (citation omitted). In particular, we must take care to guard against plaintiffs who speculate on the probable success of a costly but unauthorized exploitation of a product before asserting their rights in it. *See, e.g., Russell v. Price* (9th Cir. 1979) 612 F.2d 1123, 1126, *cert. denied*, 446 U.S. 952 (1980) (citations omitted).

As intimated above, however, courts have had little tolerance for cries of “prejudice” from defendants who deliberately copied or who were put on notice of an infringement. After all, once a manufacturer has been warned in no uncertain terms, it should try to resolve the issue — or proceed to market at its own peril. *See, e.g., Tisch Hotels, Inc. v. Americana Inn, Inc.* (7th Cir. 1965) 350 F.2d 609, 615 (even defendants that thought they had the legal right to adopt plaintiff’s name acted at their peril in doing so, especially in the face of a demand to cease; no prejudice to knowing infringer when it continues to spend money promoting the infringed name). A defendant on notice should also take appropriate steps to preserve material evidence.

Naturally, the more vigorous a plaintiff’s complaints, the more action a defendant should reasonably take in response. *Cf. Citibank, N.A. v. Citibanc Group, Inc.* (11th Cir. 1984) 724 F.2d 1540, 1546-47 (plaintiff’s “constant complaints”) *with Byron*, 1995 WL 465130, at \*9 (plaintiff sent out only one letter and did nothing thereafter, “lull[ing] defendant into a ‘false sense of security’”). In short, we ask whether a defendant was reasonably justified in believing itself immune from a serious claim of liability. *Compare Universal Pictures Co. v. Harold Lloyd Corp.* (9th Cir. 1947) 162 F.2d 354, 372 (applying similar standard for equitable estoppel defense).

Here, defendant Horn never heard from plaintiffs after she supposedly sent a response to

plaintiffs' 1994 letter (which response plaintiffs claim never to have received). Consequently, she claims two kinds of prejudice. First, she marketed her "Ripple" line in reliance on her right to do so, while potential damages heaped up. Second, Horn and Rabl also contend that plaintiffs' delay has prejudiced their ability to gather evidence to defend themselves:

Not only are the whereabouts of witnesses unknown (Carole Wang, Lilly and others) as well as records of customers who purchased the defendants' products prior to plaintiffs' alleged creation, but the defendants themselves, and the entities they contracted with for manufacture and the stores they sold to, do not have records or samples of the relevant garments.... More important, none of the allegedly infringing knitwear or apparel is available.

(Horn Reply Br. 23).

We question Horn's underlying assumptions. As a sophisticated commercial vendor, Horn probably should have preserved evidence and inquired further about plaintiffs' intentions *before* continuing to develop her "Ripple" line. As plaintiffs suggest, Horn may have taken a calculated risk that they would not be able to raise enough capital to sue her. In any event, there remain material questions of fact regarding the extent of prejudice to Horn, if any, attributable solely to plaintiffs.

Similarly, defendant Rabl's flurry of correspondence with plaintiffs ended in disagreement in mid-1997, and under the circumstances Rabl had reasonable notice of a potentially significant claim against it.

In contrast, the delay in notifying Searle was particularly inexcusable, so we need not find much prejudice in order to grant Searle's motion. Yet Searle suffered appreciable prejudice in its ability to defend. For example, Searle no longer has an exemplar. Indeed, it stopped selling the allegedly infringing goods in 1995. Finally, Searle has made a convincing argument for plaintiffs' spoliation of evidence. Plaintiff Moss returned an exemplar to the store back in 1994. In order to

secure a refund amounting to a tiny fraction of the cost of a lawsuit, she inexplicably has forfeited key inculcating evidence, to Searle's detriment.

Granted, plaintiffs accuse Searle of intentional misbehavior under several different causes of action. However, unlike the other defendants, Searle completely stopped selling its relevant inventory within a short time after plaintiffs had notice of the alleged deliberate copying. Thus, the evidentiary prejudice to Searle is clear-cut and apparently irreparable.

Logically, we strike all causes of action against Searle under the same doctrine. We perceive no reason why we should permit plaintiffs to "sleep on their rights" to sue under any of their claims. As noted above, the Second Circuit has applied laches to both federal and state causes of action regarding trademark, false advertising, and unfair or deceptive practices. Here, for instance, plaintiffs knew of an allegedly false newspaper advertisement back in 1994, and their trade secret claim also allegedly accrued in 1994. Therefore, we GRANT Searle's motion and dismiss all claims against it.

### **CONCLUSION**

For the reasons indicated above, we GRANT the summary judgment motion of defendants Searle Blatt & Co., Ltd., Steve Searle, and Alice Searle respecting all causes of action; and we ORDER a continuance of this motion respecting all other issues pending discovery for a time period to be set by the assigned magistrate judge. A separate order will refer this case to a magistrate judge.

**SO ORDERED.**

August 2, 2000

New York, New York

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WHITMAN KNAPP, SENIOR U.S.D.J.

For Plaintiff:

STEVEN HOROWITZ, ESQ.  
295 Madison Avenue, Suite 700  
New York, New York 10017

For Carol Horn, Roni Rabl, Inc. Neiman-Marcus Group, Inc.,  
E.N.K. Productions Ltd. Defendants:

AUFRICHTIG, STEIN & AUFRICHTIG, P.C.  
300 EAST 42nd Street, Fifth Floor  
New York, New York 10017

For Searle Defedants:

ROBERT P. LYNN, Jr. LLC  
330 Old Country Road, Suite 103  
Mineola, New York 11501